RESEARCH HIGHLIGHT

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INDIVIDUAL LANDLORD SURVEY

A substantial proportion of the total stock of Canadian rental housing is owned by individuals rather than by corporations. CMHC commissioned Arcturus Solutions to conduct a survey during the spring of 2005, in order to better understand the characteristics, attitudes and opinions of these "individual landlords,"

The objective of the study were to:

- Collect basic demographic and other attribute data that characterize individual rental investors.
- Collect information about the current rental income and expenditure structure for individual rental investors.
- Collect information about individual rental invertors' investment and retirement plans in the short and long term.
- Understand current needs and concerns of individual rental investors.

This document describes the method, results and conclusions of this study.

METHOD

For purposes of this study, an individual rental investor was defined as a Canadian resident, 18 years old or older, who owns self-contained (i.e., containing a kitchen and bathroom) residential properties in Canada for the purpose of generating rental income, and who accrued such income during 2004. Because the incidence of these individuals in the general population proved to be very low, respondent recruitment was accomplished through lists compiled from newspaper and online rental advertisements appropriate to each city. Interviews were conducted in English or French in accordance with the respondent's preference.

Between March 21 and May 4, 2005 a total of 410 residential rental investors were interviewed by telephone: 138 in Toronto, 127 in Montréal, 61 in Calgary, 48 in Halifax and 36 in Vancouver.

Organization of the report

In addition to providing a description of the methods used to conduct the study, this report groups primary observations into four sections. The first section describes the demographic attributes of the individual residential rental investors interviewed. The second section provides data descriptive of the residential rental units themselves, including the type of structures that contain them, the vacancy rates and the ownership structure at the time of the interview. The final two sections address, respectively, the long-term plans of respondents related to their rental business, and their perceptions of the benefits and challenges associated with being an individual residential rental investor. Each of these final sections investigate relationships between these attitudinal variables and investor demographics such as city of residence, ownership structure, age and total number of residential units owned.

PRIMARY OBSERVATIONS

Demographics and other attributes of individual rental investors

- The investors represented here span a broad range of age groups. Although one-quarter (25.7 per cent) are approaching the traditional age of retirement (55 years of age or older), nearly one-third (29.2 per cent) are 40 years or younger.

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- Half of the respondents reported an annual household income of $80,000 or more, compared to the Canadian median of $46,752.

- Respondents are employed in a variety of different professions. Only 66 of them (16 per cent) are self-employed individuals whose primary source of income is derived from their rental units. The average number of years that respondents have been involved in the residential rental business is 13.01 (ranging from 1 to 50 years: median 10 years).

Property characteristics, rental income and expenditure structure

Half of respondents own five or fewer residential rental units, and over a third own three or fewer. The mean number of units owned is 21.5. Collectively, the individual rental investors represented in this study own over 8,000 self-contained residential rental units.

- One-quarter of all respondents declined to reply to the question regarding total rental revenue generated in 2004. Of those who did respond, 29 per cent generated $70,000 or more while more than one-third (37.9 per cent) generated less than $20,000.

- Over three quarters (78.4 per cent) of the units owned by these residential rental investors are in buildings with four units or more. Thirty-five percent (34.6 per cent) of respondents reported that at least one of their rental units is part of their home.

- The structure under which respondents own their rental units is evenly distributed between sole ownership (51.5 per cent) and co-ownership/partnership (48.5 per cent) arrangements. Nearly one-fifth of respondents (19.8 per cent) have incorporated their residential rental business.

- The vacancy rate reported by the individual rental investors in this study were higher than the CMHC estimates for all ownership types, as might be expected for respondents recruited largely from rental advertisements.

Retirement and investment plans

- Retirement does not seem to be top of mind for one-third of respondents, who either could not name a circumstance or said there was not a circumstance that would cause them to consider quitting the residential rental business.

- When probed on specific potential circumstances, 70 per cent agree that poor personal health would cause them to consider retirement, and more than half would consider retiring if made a "good offer" for their rental property.

- Investors who own relatively more units appear less influenced to consider retirement by prospective changes in personal circumstances than are those who own a smaller number of units. Respondent age does not seem to influence which circumstance would be an incentive to retire.

- A considerable percentage of respondents plan to increase the number of units they own within the next 10 years.

- Investors who own relatively more units are more likely than others to plan on buying additional units, and younger investors are more likely than older ones to do so. Indeed, investors 55 years or older are the most likely to plan to decrease the number of units they own, and to do so within the next five years.

- The vast majority of respondents (91.6 per cent) currently manage their rental properties themselves and very few plan to hire a property manager in the foreseeable future.

Current needs and concerns

- Investors are more emphatic about the benefits of investing than about the possible challenges to the business examined here.

- The provision of a stable investment was the benefit that received the strongest endorsement, followed by assistance in paying off a mortgage.

- Residents of Montréal agree less strongly than respondents in other cities that "help in paying off the mortgage" is a benefit of residential rental investments. Self-employed investors whose primary source of income is from rental units agree more strongly that "flexible work hours" is a benefit than do other respondents.

- Among potential challenges, the issue of tenant quality attracted the highest agreement scores, whereas the possible lack of liquidity of rental unit investments attracted the lowest agreement scores.

- Older investors are more likely than younger ones to perceive both liquidity and property safety as challenges. As the number of units owned increases, so does the agreement that rent collections and property safety are challenges.

CONCLUSIONS

- Results of this study suggest that the business of individual residential rental investment is stable and in good health. The investors represented here span a broad range of age

groups, and although one-quarter are approaching the traditional age of retirement (25.7 per cent 55 years of age or older), nearly one-third (29.2 per cent) are 40 years or younger.

- Another indication of the robustness of the individual rental unit investment business is that more than half the respondents plan to increase the number of units they own within the foreseeable future, whereas less than one-third plan to decrease their overall number. Not surprisingly, an intent to decrease the number of units is associated with the approach of the traditional age of retirement.
- In general, these investors appear to be resourceful individuals whose overall household income exceeds the Canadian median. Further, retirement from the business is not top-of-mind for most individual investors interviewed, although most are pragmatic enough to agree that problems with health (70.4 per cent) or an attractive buyout offer (57 per cent) might cause them to consider retirement.
- The individual investors represented in this study collectively own 8,224 self-contained residential units. Most of these individuals own a small number of units: a third own three or fewer, and one-half own fewer than five.
- By far the most prevalent model of rental unit management is self-management by the individual owner, and very few anticipate changing to management through a third-party property manager. Indeed, most respondents expect to maintain the status quo relative to a number of potential activities assessed in this study.
- The individual residential rental investors who participated in this study are more affirming of the benefits of this business than they are about the challenges: agreement scores for benefits are more positively skewed than are agreement scores for challenges. Among benefits, the secure and long-term nature of residential rental unit investment stands out, followed by help in mortgage payment. The issue of tenant quality was the challenge to residential rental investment that received the highest level of agreement from respondents. Older investors are more likely than younger ones to perceive the lack of liquidity of their rental unit investment as a challenge.
- In relative terms, the small individual landlords suffer much higher vacancy rates than do the large residential rental unit investors. Residential rental unit investors who own one or two units experience a 17.4 per cent vacancy rate (23.1 per cent and 13.7 per cent, respectively) compared to the 4.4 per cent experienced by investors owning three or more units.

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Housing Research at CMHC

Under Part IX of the *National Housing Act*, the Government of Canada provides funds to CMHC to conduct research into the social, economic and technical aspects of housing and related fields, and to undertake the publishing and distribution of the results of this research.

This fact sheet is one of a series intended to inform you of the nature and scope of CMHC's research.

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